

Regulatory Commission of Alaska Annual Report Fiscal Year 2001



“ . . . encouraging the delivery of affordable voice and high-speed data services to all communities in Alaska.”

STATE OF ALASKA

DEPARTMENT OF COMMUNITY AND
ECONOMIC DEVELOPMENT
REGULATORY COMMISSION OF ALASKA

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January 2, 2002

Speaker of the House
and
President of the Senate

Dear Speaker of the House and President of the Senate:

On behalf of the Regulatory Commission of Alaska we are pleased to submit to the Alaska State Legislature the Thirty-second Annual Report of the Regulatory Commission of Alaska, covering the fiscal year ending June 30, 2001. This is filed pursuant to AS 42.05.211 and AS 42.06.220.

Respectfully yours,

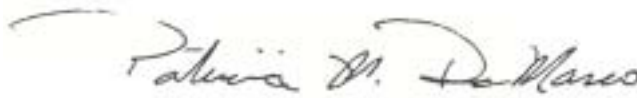
REGULATORY COMMISSION OF ALASKA



Chair



Commissioner



Commissioner



Commissioner



Commissioner

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Mission Statement

The Regulatory Commission of Alaska protects consumer interests by ensuring affordable, reliable utility and pipeline services and ensuring that the utility and pipeline infrastructure is adequate to support community needs.



Regulatory Commission of Alaska - commissioners and staff



Chair Thompson (center) is flanked (left to right) by Commissioners Abbott, Smith, DeMarco and Strandberg

Message from the Chair

Fiscal Year 2001 (FY01) was the second year of operation for the Regulatory Commission of Alaska (RCA). We continued our efforts to improve the way we work.

This year saw a stabilization of our caseload. The backlog has been significantly reduced and we are processing new filings under the timelines in our new regulations. The RCA routinely opens approximately 175 to 210 new dockets each year. Since our inception, as a result of a concerted effort to resolve all long pending cases, we have closed more dockets than were opened. At the end of FY00, there were 531 pending cases; at the end of FY01, the number of pending cases was 418. That reduction represents a substantial effort to analyze and issue orders in the dockets we closed. We expect the docket caseload to stabilize in FY02-FY03 at approximately 350 cases.

By year-end we were closer to our goal of a paperless agency. We have worked hard to design systems that allow us to function as an agency more efficiently and make our processes more accessible to the public. In FY02 the public should see the impact of these changes.

We moved. The agency outgrew the space we occupied for eleven years, and moved several blocks east to 701 West Eighth Avenue. Our new space is better designed for our work processes.

The Commission held many significant hearings in FY01. We heard cases for several utilities that had operated without Commission review of their rates for many years. Keeping rates current by regular review should make the process less burdensome to the utilities, allowing them to fully recover their costs and allowing consumers to have the benefit of savings when advances in technology make offering reliable utility service less expensive. Gathering current data on the electric industry's costs also enabled the Commission to analyze the potential costs and benefits to consumers of restructuring the Railbelt electric market. We held a hearing on the Trans Alaska Pipeline rates. For the first time in the pipeline's history the Commission was asked by an economically interested party to evaluate whether or not the tariff rates charged for intrastate shipments on that line are just and reasonable. The hearing lasted over six weeks. We continued to grapple with the dynamic changes in the communications markets, and evaluated proposed changes to our regulatory scheme to keep pace with these changes. We actively followed changes on a national level and advocated for the interests of the Alaskan phone companies that deliver services in high cost areas and receive federal support. I serve on the Federal-State Joint Board on Universal Service where I have the opportunity to bring the needs of rural residents to the attention of national policymakers.

We look forward to the challenges of FY02. There are many significant policy issues on the horizon and we continue to strive to improve the way we do business.

Sincerely,

A handwritten signature in dark ink, appearing to read "G. Nanette Thompson", written in a cursive style.

G. Nanette Thompson
Chair

Biographies, RCA Commissioners



G. Nanette Thompson, Chair

Commissioner Thompson began serving on the RCA on July 1, 1999. She was nominated by her colleagues and appointed by Governor Knowles as Chair. Her term expires June 30, 2004. Ms. Thompson served on the Alaska Public Utilities Commission from 1995 to 1996.

Ms. Thompson is admitted to the practice of law in Alaska (since 1983) and Washington (since 1982). She has 17 years of experience as a lawyer in private practice representing business and individual clients and as an Assistant Attorney General for the State of Alaska. After graduating with honors in International Relations from Stanford in 1978, she earned her law degree from the University of Washington in 1982.

Ms. Thompson is an active member of the NARUC Committee on Telecommunications. She was appointed by the FCC to serve on the Federal-State Joint Conference on Delivery of Advanced Services in November 1999, and served as State Chair from 1999 to 2001. She was appointed by the FCC to the Universal Service Joint Board in August 2000 and was elected State Chair in 2001.

Ms. Thompson is active in community activities. She served on the Salvation Army's Booth Home Advisory Board from 1989 to 1994, acting as President in 1994 and on the Campfire Boys and Girls Board from 1995 to 2000. She and her husband, Bill Cooke, have five children ranging in ages from 12 to 26.

On July 1, 1999, Governor Tony Knowles appointed Commissioner Bernie Smith to the new Regulatory Commission of Alaska, with a term expiring June 30, 2003.

Mr. Smith came to the RCA after serving 16 years with Tesoro Alaska Petroleum Company. While employed with Tesoro he held positions as Manager of Alaska Government Affairs & Special Projects, Senior Engineer, and Project Engineer. In 1973, Mr. Smith graduated from Texas A&M University, with a Bachelor of Science Degree in Engineering Technology. He has been active in several community organizations, currently serving as Past President of Chugiak-Eagle River Chamber of Commerce and a board member of the State Chamber of Commerce. At the time of his appointment he was a member of the Alaska Board of Marine Pilots. He served as President and board member of the Boys and Girls Club of the Kenai Peninsula, and was a board member of Nikiski Fire Service Board.

Mr. Smith has resided in Eagle River for the last five years. He has two sons, Dylan (19) who is attending UAA, and Cory (17) a senior at Chugiak High School.



Bernie Smith, Commissioner

Biographies, RCA Commissioners



Patricia M. DeMarco,
Commissioner

Patricia DeMarco, Ph.D. was appointed by Governor Tony Knowles to a three-year term on the Regulatory Commission of Alaska beginning on July 1, 1999. She also serves on the NARUC Committee on Consumer Affairs. Commissioner DeMarco previously occupied the position of President of the Anchorage Economic Development Corporation for four years. She brings to the Commission a strong interest in utility infrastructure as a mechanism to expand the economic potential of Alaska. She has a multi-disciplined approach to solving problems and views the role of regulation as a catalyst for change.

Dr. DeMarco came to Alaska in 1995 from Connecticut where her experience included a twenty-year career in various aspects of electric utility regulation, planning and operation. She also started a non-profit corporation to diversify the defense dependent economy, especially the area served by the five utilities in the Connecticut Municipal Electric Energy Cooperative.

Dr. DeMarco received her formal education in her hometown at the University of Pittsburgh. She holds a Bachelor of Science and a Doctorate degree in biology and spent seven years in biochemical genetics research. In private life, she is the wife of Joseph Barkoski, owner of Alaska Joe Fishing Charters. Dr. DeMarco serves on the Board of Directors of the Anchorage Symphony Orchestra and Downtown Rotary.

Will Abbott was appointed to the Regulatory Commission of Alaska on July 1, 1999. He was reappointed in 2001 for six-years and his term expires March 1, 2007.

Mr. Abbott previously worked for the Alaska Housing Finance Corporation, Municipality of Anchorage, a local environmental firm, and the U. S. Air Force.

Mr. Abbott is married and has two sons.



Biographies, RCA Commissioners



James S. Strandberg,
Commissioner

Appointed in 1999 and reappointed in 2000 for a six-year term, Jim Strandberg has 29 years experience as a Professional Engineer. Born in Anchorage and a life long Alaskan, he attended the University of Alaska Fairbanks and received a Bachelor of Science in Mechanical Engineering in 1970 and a Masters of Science in Arctic Engineering in 1983.

Strandberg is a registered mechanical and civil engineer in Alaska and has worked in rural and urban areas in his professional practice. Early in his career, Strandberg worked on the design team for the Trans Alaska Pipeline, and was stationed in Anchorage, Fairbanks and Houston, Texas. As a Mechanical and Utilities designer, he worked in private practice designing heating, ventilating and air conditioning, district heating and power plant systems.

Married for 29 years, Jim and his wife, Emiko, have two grown children each of whom are pursuing an Engineering Career.

Former Commissioners

| Commissioner | Dates of Service |
|--------------------------|-------------------------|
| Clyde Courtnage | 1960 - 1963 |
| Charles Herbert | 1960 - 1963 |
| Karl Walter, Jr. | 1960 - 1964 |
| Joseph Fitzgerald | 1964 - 1965 |
| Maurice Chertkov | 1965 - 1965 |
| Harold Moats | 1965 - 1966 |
| T. Stanton Wilson | 1966 - 1966 |
| James R. Clouse, Jr. | 1967 - 1971 |
| Loren H. Lounsbury | 1967 - 1971 |
| John M. Stern, Jr. | 1971 - 1973 |
| James R. Hendershot | 1971 - 1975 |
| B. Richard Edwards | 1974 - 1976 |
| Gordon J. Zerbetz | 1963 - 1981 |
| Stuart C. Hall | 1976 - 1983 |
| Diana E. Snowden | 1981 - 1985 |
| Marvin R. Weatherly | 1975 - 1987 |
| Carolyn S. Guess | 1975 - 1989 |
| Louis E. Agi | 1983 - 1989 |
| Kathleen E. Whiteaker | 1985 - 1990 |
| Peter Sokolov | 1987 - 1991 |
| Don May | 1990 - 1992 |
| Susan M. Knowles | 1975 - 1993 |
| Mark A. Foster | 1990 - 1993 |
| Daniel Patrick O'Tierney | 1989 - 1994 |
| James E. Carter, Sr. | 1992 - 1995 |
| G. Nanette Thompson | 1995 - 1996 |
| Don Schröer | 1991 - 1997 |
| Alyce A. Hanley | 1993 - 1999 |
| Dwight D. Ornquist | 1993 - 1999 |
| Tim Cook | 1994 - 1999 |
| Sam Cotten | 1995 - 1999 |
| James M. Posey | 1997 - 1999 |

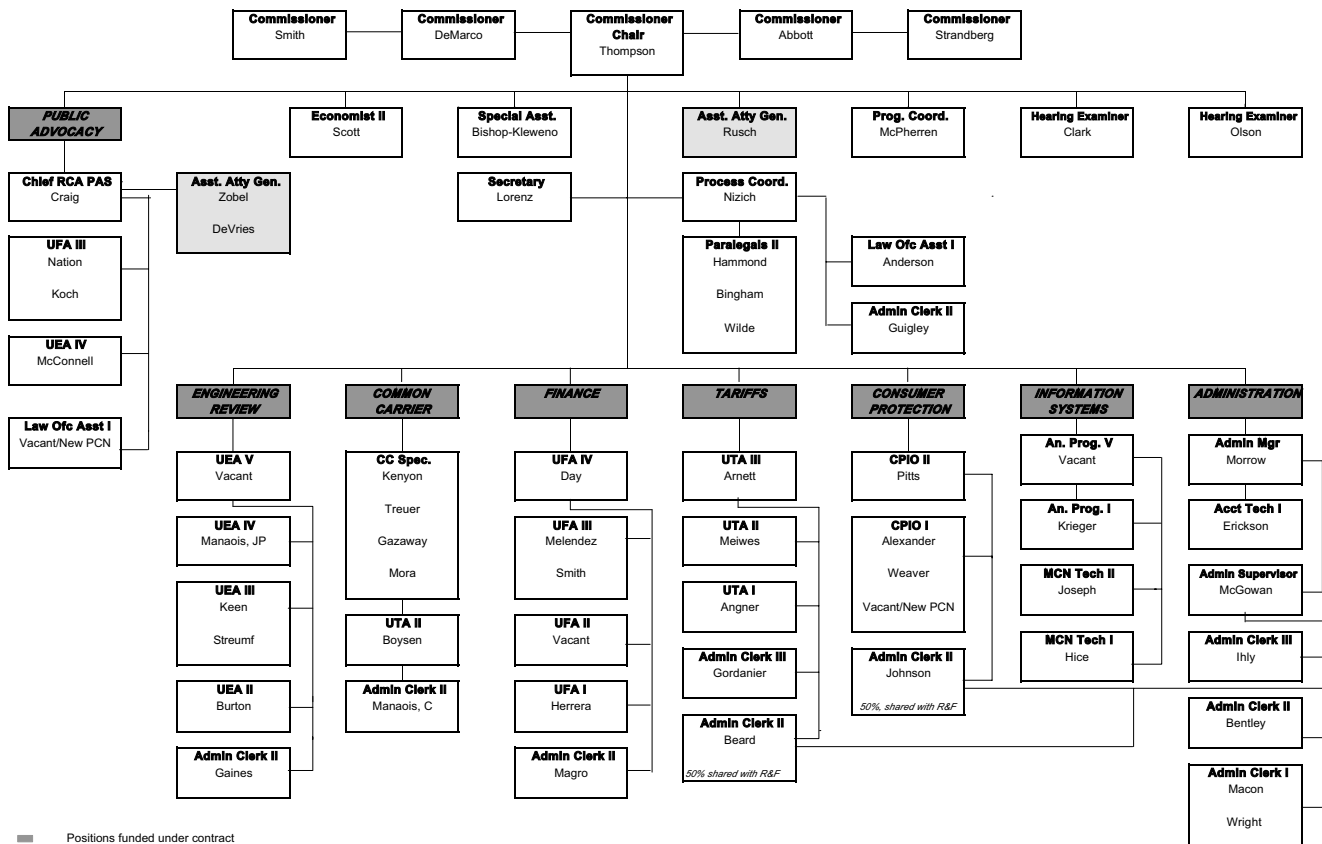
RCA Roster

| | |
|------------------------|---|
| Abbott, Will | Commissioner |
| Alexander, Tamara | Consumer Protection & Information Officer I |
| Anderson, Denise | Administrative Clerk II |
| Angner, Matt | Utility Tariff Analyst I |
| Arnett, Wendy | Utility Tariff Analyst III (Chief) |
| Beard, Brian | Administrative Clerk II |
| Bentley, Wanda | Administrative Clerk II |
| Bingham, Mary Margaret | Paralegal II |
| Bishop-Kleweno, Dawn | Special Assistant |
| Boysen, Robin | Utility Tariff Analyst II |
| Burton, Jerry | Utility Engineer Analyst II |
| Clark, Patricia | Hearing Examiner |
| Craig, Lew | Chief, Public Advocacy Section |
| Day, Keith | Utility Financial Analyst IV (Chief) |
| DeMarco, Patricia | Commissioner |
| DeVries, Steve | Assistant Attorney General* |
| Erickson, Donna | Accounting Technician I |
| Gaines, Lawrence | Administrative Clerk II |
| Gazaway, Richard | Common Carrier Specialist |
| Gordanier, Joy | Administrative Clerk III |
| Hammond, Anita | Paralegal II |
| Herrera, Darlene | Utility Financial Analyst I |
| Ihly, Charlene | Administrative Clerk III |
| Johnson, Merry | Administrative Clerk II |
| Joseph, Vince | Micro Computer Network Technician II |
| Keen, James | Utility Engineer Analyst III |
| Kenyon, Lori | Common Carrier Specialist |
| Koch, Kate | Utility Financial Analyst III |
| Krieger, Christin | Analyst/Programmer I |
| Macon, Leteasha | Administrative Clerk I, Receptionist |
| Manaois, Corazon | Administrative Clerk II |
| McConnell, Tim | Utility Engineer Analyst IV |
| McGowan, Joyce | Administrative Supervisor |
| McPherren, Jeanne | Program Coordinator |
| Meiwes, Jennifer | Utility Tariff Analyst II |
| Melendez, Felix | Utility Financial Analyst II |
| Mora, Michael | Common Carrier Specialist |
| Morrison, Paul | Chief Engineer |
| Morrow, Josie | Administrative Manager II |
| Nation, Parker | Utility Financial Analyst III |
| Nicolas, Giggette | Administrative Clerk II |
| Olson, Paul | Hearing Examiner |
| Pitts, Agnes | Consumer Protection & Info Officer (Chief) |
| Rusch, Virginia | Assistant Attorney General* |
| Scott, Antony | Economist II |
| Smith, Bernie | Commissioner |
| Smith, Chris | Utility Financial Analyst III |
| Strandberg, Jim | Commissioner |
| Thompson, Nan | Commissioner (Chair) |
| Treuer, Phil | Common Carrier Specialist |
| Weaver, Rose | Consumer Protection & Information Officer I |
| Welch, Bert | Analyst/Programmer IV |
| Wilde, Ann | Paralegal I |
| Wright, Carolyn | Administrative Clerk I |
| Zobel, Ron | Assistant Attorney General* |

*Employee of the Department of Law contracted to the Commission.

Organizational Chart

RCA ORGANIZATION CHART
2/4/2002



■ Positions funded under contract
UTA - Utility Tariff Analyst
UFA - Utility Financial Analyst
UEA - Utility Engineering Analyst
CPIO - Consumer Protection & Information Officer
CC - Common Carrier

All positions are located in Anchorage

Last Revised: 2/04/02 /sl

Staff Responsibilities

The Commission staff is divided into seven major sections: administration, engineering, common carrier, consumer protection, finance, tariffs, and public advocacy. The RCA employs 61 people with an FY01 operating budget of \$5,359,600.

Administration

The Chair directs the administrative functions of the agency. She is responsible for fiscal and personnel administration, budget preparation, and records and document management. The Chair supervises staff and serves as a liaison between staff and Commissioners, and between the Commission and the legislature. She is aided by a special assistant, an administrative manager, documents processing and accounting personnel, and other clerical support staff. The Commission's data processing functions are included in the administrative section.

Engineering

This section is responsible for certification proceedings, investigations of utility and pipeline carrier procedures and practices affecting service quality. It also reviews legal descriptions for service areas, plans for plant expansion, plant-in-service schedules, and depreciation schedules. Engineering analyses and evaluations are presented to the Commission for adjudication.

Common Carrier

This section was established to develop, recommend and administer policies concerning rates, services, accounting and facilities of communications common carriers within Alaska involving the use of wire, cable, radio, and satellites.

Consumer Protection

This section investigates and resolves informal consumer complaints, and is responsible for public relations and responding to information requests.

Finance

This section examines, analyzes and evaluates financial statements submitted for rate cases. It audits financial records of utilities and pipeline carriers and examines historical operating year data and pro forma financial adjustments made by the utilities and pipeline carriers. Financial analyses are presented to the Commission at Tariff Action and adjudicatory meetings.

Tariffs

This section examines, analyzes and investigates tariff filings and presents recommendations to the Commission at biweekly tariff action meetings. Administrative functions include organizing tariff meetings as well as complying with all public notice requirements on tariff filings and maintaining current master tariffs for all utilities and pipeline carriers.

Public Advocacy

This section was established in 1999 by the Legislature to operate independently from the Commission and represent the public interest. The Commission assigns cases to the Public Advocacy Section when a public interest perspective would add to the full development of the record.

Since statehood in 1959, the Commission has worked with the hundreds of public utilities in Alaska with the same mission in mind:

- to ensure continued service,
- sound management, and
- fair rates for residents in all communities of the state.

In 1981, the agency's role was expanded to include oversight of pipeline carriers and pipelines when it merged with the Alaska Pipeline Commission. In 1999, the Legislature reorganized and renamed the agency the Regulatory Commission of Alaska.

Utility commissions were originally created to protect consumers, because most utility services are provided by monopolies. Today, Commissions are faced with the challenge of evaluating regulations and considering policy changes to encourage competition while protecting consumer interests. The Commission balances the need for utilities and pipeline carriers to show a profit for their investments and the public's right to receive quality service at a fair price. The Commission currently regulates the rates, services, practices, or facilities of 228 utilities and 19 pipeline carriers in Alaska.

The Commission achieves this balance by issuing certificates of public convenience and necessity to qualified service providers. This certificate is a license to operate and details how the utility or pipeline carrier must conduct business. The Commission also establishes rates, terms, and conditions of service while overseeing the practices, services, and facilities of regulated utilities and pipeline carriers.

The Commission has specific jurisdiction over the operation of electric utilities, natural gas utilities, refuse (garbage) collection, sewer (wastewater) treatment, steam heat producers, telephone companies (local and in-state services), water utilities as well as oil and gas pipeline carriers.

The Commission also computes the power costs and resultant state assistance amounts for customers of electric utilities participating in the Power Cost Equalization (PCE) program.

The Commission carries out its regulatory responsibilities through several means. It conducts audits, investigations, public meetings, Tariff Action meetings, formal proceedings, informal meetings and conferences, and resolves consumer complaints by telephone, mail, meeting, or order.

The Commission also functions as a quasi-judicial body when rendering decisions in formal proceedings and as a quasi-legislative body when establishing and enforcing its regulations. The statutes and regulations of the state govern the Commission's proceedings and determinations.

RCA FY01 Overview

Funding

In 1992, following the mandate of the legislature, the Commission enacted regulations allowing it to recover its operating costs through an assessment on the revenues of the utilities and pipeline carriers it regulates. This Regulatory Cost Charge (RCC) shows up as a surcharge on the monthly billing statements to consumers and shippers.

The Legislature appropriated and the Governor approved a FY02 budget of \$5.87 million, funded entirely from the RCC. There are no unrestricted general funds in the FY01 appropriation.



Assistant Attorney General Steve DeVries; Utility Financial Analyst Kate Koch; Assistant Attorney General Ron Zobel; Public Advocacy Section Chief Lew Craig (seated); and Utility Engineer Analyst Tim McConnell

Operating Budget FY01

| | FY00 | FY01 | Percent Change |
|--------------------------------------|---------------------------------|--------------------------|-----------------------|
| <i>Appropriations</i> | | | |
| Personal Services | \$3,287,000 | \$3,422,400 | |
| Travel | 35,000 | 52,200 | |
| Contractual | 1,300,900 | 1,808,700 | |
| Commodities | 62,500 | 62,500 | |
| Equipment | 13,800 | 13,800 | |
| Totals | \$4,699,200 | \$5,359,600 | 12.0% |
| <i>Expenditures</i> | | | |
| Personal Services | \$2,989,089 | \$3,402,786 | |
| Travel | 56,692 | 72,359 | |
| Contractual | 1,145,843 | 1,583,573 | |
| Commodities | 77,919 | 48,615 | |
| Equipment | 19,689 | 10,589 | |
| Relocation costs | 0 | 140,249 | |
| Totals | \$4,289,232 | \$5,258,171 | 18.0% |
| <i>Revenue receipts ¹</i> | | | |
| General fund PR | \$4,289,232 ² | \$5,258,171 ² | |
| Total revenues | \$4,289,232 ³ | \$5,258,171 | 18.0% |

¹The Commission received revenues under various provisions of its statutes including copying and postage charges (AS 42.05.201) and cost allocations in proceedings (AS 42.05.651/AS 42.06.610).

²FY00 and FY01 RCC User Fee revenues are recognized on the modified accrual method of accounting. Fourth quarter revenue is recognized as of June 30th, but collected in July.

³FY00 revenues were restated to reflect the modified accrual method of accounting for RCA user fee receipts.

Regulation and Economic Development

The Regulatory Commission of Alaska supports economic development by providing reliable utility services at affordable rates. The Commission has three tools within its jurisdiction for economic development:

1. Certification Proceedings

The Commission issues Certificates of Public Convenience and Necessity to qualified applicants to provide utility or pipeline services. Review of applications assures that the operator has the financial, technical and management capability to meet present and future demand for services. Reliable and efficient utility and pipeline services increase the likelihood of development in an area.

2. Rate Regulation

The Commission regulates pipelines and utilities to assure reasonable and just rates to the consumer with fair rates of return to the utilities. The Commission has jurisdiction to consider and approve economic development incentive rates. The Commission also has jurisdiction over special contracts and promotions, which are reviewed for consistency with the public interest.

3. Comparative Information

The Consumer Protection and Information Section can provide information to consumers about comparative utility services and rates based on filed tariffs.

Encouraging rural economic development requires innovative solutions. One of the keys is the improvement of infrastructure to offer advanced telecommunications and energy services in rural areas. Better delivery systems mean a lower cost of power and phone service. Once these communities are linked to the “communications superhighway,” there will be more local opportunities for economic interaction in the global marketplace.



Utility Tariff Analyst Jennifer Meiwes and Chief Utility Tariff Analyst Wendy Arnett (seated);
Utility Tariff Analyst Matt Angner; Administrative Clerks Joy Gordanier and Brian Beard

Pipeline

The Commission will continue to resolve pending disputes over pipeline tariff rates. We are actively working on issues relating to the construction of a natural gas pipeline from the North Slope and the renewal of the Trans Alaska Pipeline System (TAPS) right-of-way.

Electricity

The Commission will continue to review and approve electric rates charged by regulated electric utilities statewide.

Refuse

The Commission will continue to monitor refuse service statewide and allow competition when it is in the public interest.

Natural Gas

The Commission will continue to review applications to expand the areas of the state where natural gas is available for heat.

Water and Sewer

The Commission will continue to coordinate with state and federal agencies to implement the standards of the federal Clean Water Act.

Telecommunications

The Commission will continue to fulfill the directives of the 1996 Telecommunications Act to allow competition to bring choices to telecommunications consumers. The Commission is also encouraging the improvement of the statewide network to allow the delivery of affordable high-speed data and voice services to all communities in Alaska.



Common Carrier Specialists Richard Gazaway, Lorraine Kenyon,
Phil Treuer (seated), and Michael Mora

Public Advocacy Section

The Public Advocacy Section (PAS) was established by the Legislature in 1999 to operate independently from the Commission and represent the public interest. The Commission assigns cases to the section when a public interest perspective would clearly add to the full development of the record. As a party, the Public Advocacy Section investigates all relevant issues; as necessary, presents the results of its investigation to the Commission; and may submit stipulations of agreed upon issues for the Commission's approval.

For example, the PAS might participate in a case that directly involves a rate or condition of service that will apply to the public or a case that involves a substantial change in the market structure of an industry that is likely to affect the cost, availability or safety of a utility service. Also, the public interest could involve consumer interest in a case that is unlikely to be adequately represented by the existing parties. The PAS might also represent the public interest by providing the Commission with an objective third party perspective in proceedings that involve multiple utilities with differing interests.

The PAS investigation generally includes historical and subject area research of the utility proposal, onsite audits of the company's books, propounding discovery and answering discovery served by other parties on the PAS, filing written testimony and supporting it at hearing, and preparing cross examination for interrogation of utility witnesses at hearing. Additionally, the PAS may engage in extensive settlement conferences when appropriate. The PAS staff is the only RCA staff with the responsibility to participate as a party (when named by the Commission) and testify in proceedings before the Commission.

For FY01 the PAS consisted of two utility financial analysts, one utility engineering analyst (half year), one half time clerk, and the section chief. Legal support and representation was provided by two Assistant Attorneys General assigned to work 150% of their combined time on PAS matters (with 50% of their combined time devoted to Commission appeal work). The PAS also makes limited use of outside consultants.

Since its inception in 1999 through June 30, 2001, the PAS had been appointed to participate as a party in 71 dockets. Thirty-seven of those dockets have been closed or no longer require PAS involvement. The remaining thirty-four dockets are active in various stages of investigation by the PAS.

In FY01 the PAS participated in ten separate hearings before the Commission and testified regarding: Trans Alaska Pipeline oil transportation rates, Matanuska Telephone Association, Inc. local exchange telephone company rates, Golden Heart Utilities sewer and water rates, Matanuska Electric Association, Inc. electric rates and Alaska Communications Systems' expansion of local telephone service to residents of Port Graham. In total the PAS spent forty-six days at hearing. The PAS also attended numerous prehearing scheduling and discovery conferences before Commission hearing examiners.

The PAS was also a party to stipulations filed to resolve issues in seven dockets. The Commission approved settlements setting local exchange telephone rates and electric rates for subsidiaries of Alaska Power and Telephone; electric rates for Tanana Power; and electric rates for T-HREA. The Commission also approved a stipulation allowing residents of a Fairbanks subdivision to receive extended local exchange telephone service.

Telecommunications Service**Local Competition**

On July 7, 2000, we approved the application of GCI Communication, Inc. to provide local service in Juneau, Fairbanks, and surrounding areas. As a result customers in those areas will benefit by having a competitive choice in local carrier. During the last fiscal year, we have also been involved in various court challenges seeking to overturn our orders opening up the Fairbanks and Juneau markets to local competition. While we presume outstanding court challenges will fail, if the incumbent carrier is successful in overturning key Commission decisions in this area, then local competition in rural Alaska markets could be delayed or halted. (U-00-02)

Telecommunications Relay Service

On September 15, 2000, we adopted revised regulations for the provision of Telecommunications Relay Service (TRS). TRS is a service, required by the Americans with Disabilities Act and state law, that provides service to deaf, hard-of-hearing, and speech impaired telephone customers that, to the extent possible, is functionally equivalent to that experienced by hearing users. TRS operates through use of operators (known as communications assistants or CAs) that relay or translate communications between (hearing) customers using traditional telephones and (deaf, hard-of-hearing, and speech-impaired) customers using keyboard devices (e.g., computers or TTYs). The new regulations permit the competitive selection of a TRS provider every five years. (R-97-08)

Universal Service—Public Interest Pay Telephones

On October 20, 2000, we adopted regulations that will provide public interest pay telephones. The regulations will ensure that there is at least one pay telephone in each community throughout the state. (R-97-03)

Access Charge Reform

On April 11, 2001, we issued a Notice of Inquiry (NOI) into further reform of the charges paid by long distance carriers to access local exchange carrier networks for origination and termination of in-state long distance calls. The NOI initiates the second phase of access reforms that began with the adoption of the federal Telecommunications Act of 1996. Phase 2 focuses on the growing disparity between state and interstate long distance rates caused by the differences between state and federal access charge rate design. (R-01-01)

Universal Service—Federal Compliance

During May 2001, the Federal Communications Commission issued several critical orders revising federal universal service funding policies affecting Alaskan carriers. We held a workshop and continue to develop options for preparing for the upcoming changes to federal policies. (CC Docket No. 96-45, R-00-01/U-01-90)

Universal Service—Lifeline

On May 11, 2001, we ruled that all of Alaska qualified for Enhanced Lifeline and Expanded Linkup services under the Federal Communications Commission's recent order providing additional funding to areas deemed Tribal Land. As a result of this order, virtually all low-income customers in Alaska that meet a means test and choose to participate receive local phone service at \$1.00 per month. Funding for these programs comes primarily from federal sources. (R-00-07)

FY01 Significant Events

Telecommunications Service

Slamming

Slamming refers to the unauthorized switching of a customer's long distance carrier. We addressed slamming by adopting regulations on how changes to a customer's preferred long distance or local exchange carrier may occur and penalties for noncompliance. Due to inconsistencies between state regulations and federal rules, we repealed state slamming regulations and enacted new state slamming regulations that adopted the federal slamming rules. We also assumed responsibility for resolving slamming allegations concerning local exchange and intrastate, interstate, and international long distance service. (R-00-06)

Electric Service

ML&P Applies to Serve Additional Military Base Customer

We opened this docket to consider the ML&P's application for authority to serve the State of Alaska, Department of Fish & Game Hatchery, a nonmilitary customer located on Fort Richardson Military Reservation. After our initial order, ML&P petitioned for reconsideration. We permitted Chugach to respond to ML&P's petition for reconsideration. Later we invited others, including the Department of Defense and the Public Advocacy Section, to comment on the issues raised by the participants. The participants extensively briefed the issues of whether we have jurisdiction over utility service on the military bases, and what law controls when a state regulatory scheme conflicts with federal laws requiring competitive bidding. We determined that we have jurisdiction over utility service on military bases and approved ML&P's application. (U-00-79)

Goat Lake Hydro, Inc., Request to Implement

Rate Stabilization Accounting Methodology After hearing, we approved a stipulation between the Public Advocacy Section and certain regulated Alaska Power & Telephone Company (AP&T) electric and telephone subsidiaries, which determined permanent rates for substantially all of those subsidiaries. The AP&T subsidiaries provide service in various communities in Southeastern and Interior Alaska. As part of our approval of that stipulation, we approved a request by one of AP&T's subsidiaries, Goat Lake Hydro, Inc., (GLH) to implement a Rate Stabilization Accounting Methodology, by which GLH would continue to collect at current rates for its wholesale energy sales to its sister company, Alaska Power Company (APC) while temporarily deferring the difference between actual costs incurred and revenues collected as a regulatory asset. GLH's proposed methodology is designed to address inter-generational inequities, which can occur when large, long-lived capital investment additions are made. Under the methodology requested by GLH, continued application of the levelized rate will, under an assumption of increased load growth, result in increases in the deferred asset over a period of time, with eventual amortization of the deferred balance occurring approximately half-way through the thirty-year expected lives of the hydro-electric projects. The wholesale rates are forecast to decline slightly thereafter. (U-99-02/U-99-116/U-99-125/U-93-81/U-00-34/U-00-96)

Chugach Electric Association, Inc.

Proposed Economic Viability Tariff We approved an Economic Viability Tariff proposed by Chugach Electric Association, Inc. (Chugach) along with a special contract between Chugach and Alaska Seafood International, LLC, (ASI). Together the tariff and special contract allow ASI to receive discounted service, offset by the estimated economic benefit received by Chugach as a result of successful ASI operations during the FY01 significant events life of the contract. The Economic Viability tariff will allow Chugach to offer discounted service to businesses considering operations in Anchorage that will provide commensurate economic benefits to Chugach's cooperative membership. (TA215-8) We also conditionally approved an extension of the special contract between Chugach and the City of Seward for discounted wholesale service through January 31, 2006, in order to facilitate long-term planning for Chugach and Seward. (TA219-8)

Natural Gas Service

Commission Grants Alaska Intrastate Gas Company Time Extension To Initiate Service

On December 31, 1998, we approved with conditions the application for a certificate of public convenience and necessity made by Alaska Intrastate Gas Company (AIGC) to provide natural gas public utility service to the 17 communities of Angoon, Cordova, Craig, Haines, Juneau, Kake, Ketchikan, Klawock, Klukwan, Kodiak, Metlakatla, Petersburg, Sitka, Skagway, Valdez, Wrangell, and Yakutat. At that time, we gave AIGC until July 1, 2001, to file proof of its financial fitness and to commence service to the Phase I communities of Juneau, Ketchikan, and Sitka. On June 29, 2001, we granted AIGC's request and extended to July 1, 2002, AIGC's deadline to file proof of its financial fitness and permanent financing for its proposed operations. We also granted AIGC a two-year extension to July 1, 2003 in which to notify us that service is initiated. (U-97-46)

Refuse Service

Investigation to Consolidate Refuse Certificates

We opened a docket of investigation to examine whether all refuse utilities owned by Waste Management of Alaska, Inc., a wholly-owned subsidiary of Waste Management, Inc., (UWA/WMI) should be consolidated under a single certificate and tariff. UWA/WMI subsequently filed and we approved an application to consolidate and merge its certificated refuse public utility operations in Alaska under a single certificate. We also approved the application to change its name to Waste Management of Alaska Inc., d/b/a Anchorage Refuse, Andersen Services, Arrow Refuse, Peninsula Sanitation, Star Sanitation Service, Tongass Sanitation, Wasilla Refuse and Williwaw Services (WMA). We continue to investigate whether WMA's rates are just and reasonable. (U-00-30)

Sewer and Water Service

Commission Grants Exemption to a Homeowners Association Which Owns a Water and Sewer Utility Located within the Service Area of a Certificated Utility

On July 17, 2000, Birch Knoll, LLC (BK), filed a petition requesting exemption from regulation under AS 42.05.711(d). In its petition, BK asserted that its proposed water and sewer systems are being constructed to serve only the BK Project, which consists of 46 duplex buildings (92 units total) in South Anchorage. The BK Homeowners Association will own, operate, and maintain the BK systems. BK further noted that its systems would not be a stand-alone system but connected to Anchorage Water and Wastewater Utility's (AWWU) systems. On May 2, 2001, we granted BK's request based upon the following conditions:

- Customers must be members of an association, meeting the requirements of AS 34.08 (Uniform Common Interest Ownership Act).
- Customers must be provided significant protection by virtue of their right to control management and operation of utility services through Association membership.
- Ownership of the property, which qualifies an individual for customer/member status, must be sufficiently dispersed so that no single entity or affiliated entities control more than 20 percent of the Association after two years of initiating service.
- The utility system must be connected to a certificated public utility, but must not: (a) use a pressure-reducing valve to connect to the supplying main; (b) provide additional treatment to the water supply before distribution; or (c) sub-meter the water or require payment as a separate line-item on a bill.
- The system of pipes and appurtenances must meet the engineering guidelines of the certificated water or wastewater provider utility.
- The system of pipes and appurtenances must be within the service area of the certificated water or wastewater provider utility.
- The exemption will be revoked if the customers/members of the homeowner's association vote to terminate the exemption by the process established in AS 42.05.712.

FY01 Significant Events

We found these conditions are comparable to the Environmental Protection Agency's rules governing which Public Water Systems are required to conduct testing in compliance with the Safe Drinking Water Act (SDWA). The Alaska Department of Environmental Conservation does not require water and wastewater utilities, which meet these conditions, to perform routine testing. (U-00-111)

Pipelines

Trans Alaska Pipeline System (TAPS)

We proceeded with our investigation of the justness and reasonableness of the TAPS Carriers' 1997, 1998, 1999, and 2000 transportation rates. Our predecessor agency, the Alaska Public Utilities Commission (APUC), began that investigation in 1997 after Tesoro Alaska Company filed a rate protest. We consolidated our investigation of TAPS dismantling, removal, and restoration issues, also begun by the APUC, with the TAPS rate issues.

We held a five-week hearing in the consolidated TAPS proceeding in spring 2001. At the hearing Tesoro, Williams Alaska Petroleum, Inc., and our Public Advocacy Section contended that TAPS rates were too high. The TAPS Carriers and the State of Alaska defended the rates. We expect to issue a decision in fall 2001. (P-97-04/P-97-07)

We approved the combining of two separate TAPS interests held by Phillips Petroleum Company (Phillips). Phillips had held a small share of TAPS since TAPS was built. In 2000, Phillips acquired Atlantic Richfield Company's substantial share of TAPS. Those two shares are now one. (P-00-21)

We denied, without prejudice to refiling, the transfer of a small portion of British Petroleum's (BP) share of TAPS to Phillips Petroleum Company. Phillips sought that share in order to better align its TAPS interests with its North Slope production. To approve a transfer we must find that the transfer is in the best interest of the public. There was not enough evidence in the record to make a public interest finding. Phillips and BP have reapplied and we expect to act on their proposed transfer in fall 2001. (P-00-20/P-01-08)



Economist Antony Scott

North Slope Pipelines

We granted a certificate of public convenience and necessity for construction and operation of the Milne Point Products Pipeline. That pipeline transports natural gas liquids from the terminus of the Oliktok Pipeline to the Milne Point field. The natural gas liquids originate in the Prudhoe Bay Central Gas Facility and are initially transported through the Oliktok Pipeline. The natural gas liquids are used to boost oil production in the Milne Point field. (P-01-04)

Our investigations into the initial transportation rates of the oil and gas pipelines serving the Northstar oil field and the oil pipeline serving the Alpine oil field continued. (P-98-07/P-00-19/P-00-15)

Cook Inlet Pipelines

For the first time, we appointed a settlement judge to conduct formal settlement proceedings in a pipeline case. The State of Alaska had filed a complaint against Cook Inlet Pipe Line Company claiming that the rate charged for transportation on the Cook Inlet Pipeline was too high. The parties reached a settlement of the rate issues as a result of our formal settlement proceedings. We expect to rule on that settlement in Fall 2001. (P-92-05/P-95-04)



Administrative Clerk Giggette Nicolas; Chief Utility Financial Analyst Keith Day;
Utility Financial Analyst Darlene Herrera (seated); and Utility Financial
Analysts Chris Smith and Felix Melendez

Fully Regulated Utilities Financial Data

| Net Plant | 1997 | 1998 ** | 1999 | 2000 |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| Cable TV *** | Not Reported | \$6,751,000 | \$6,232,000 | \$6,574,000 |
| Electric | 1,242,009,668 | 1,233,579,201 | 1,307,506,511 | 1,306,878,407 |
| Gas | 175,911,800 | 179,757,326 | 180,458,522 | 186,650,434 |
| Refuse | 5,917,998 | 6,638,960 | 5,998,254 | 3,072,122 |
| Steam Heat | Reported | Not Reported | 1,775,628 | 7,991,033 |
| Telephone * | 567,861,977 | 417,024,290 | 660,653,316 | 642,361,941 |
| Water | 105,282,243 | 153,698,530 | 162,073,055 | 125,579,941 |
| Wastewater | 71,855,340 | 97,823,582 | 103,568,947 | 84,272,842 |
| Total Net Plant | \$2,168,839,106 | \$2,095,272,889 | \$2,428,267,233 | \$2,363,380,720 |
| Gross Revenue | | | | |
| Cable TV *** | Not Reported | \$5,372,000 | \$5,811,000 | \$6,189,000 |
| Electric | \$494,552,901 | 504,513,606 | 513,714,260 | 504,496,599 |
| Gas | 103,593,238 | 100,865,752 | 110,451,278 | 99,580,257 |
| Refuse | 27,406,533 | 26,633,726 | 20,292,002 | 19,112,436 |
| Steam Heat | Not Reported | Not Reported | 1,414,788 | 1,540,413 |
| Telephone * | 364,155,676 | 235,846,988 | 142,796,701 | 353,117,173 |
| Water | 28,065,048 | 35,647,884 | 35,503,989 | 36,029,727 |
| Wastewater | 23,261,062 | 31,473,874 | 32,343,760 | 32,518,942 |
| Total Gross Revenue | \$1,041,034,458 | \$940,353,830 | \$862,327,77 | \$1,052,584,547 |
| Net Income | | | | |
| Cable TV *** | Not Reported | \$784,000 | \$972,000 | \$981,000 |
| Electric | \$34,172,311 | 41,455,886 | 42,773,482 | 36,416,764 |
| Gas | 15,225,745 | 15,710,652 | 18,010,521 | 8,789,246 |
| Refuse | 342,787 | 2,817,821 | 3,885,765 | 2,632,125 |
| Steam Heat | Not Reported | Not Reported | (2,796,173) | (1,492,060) |
| Telephone * | 39,852,785 | 24,105,402 | 12,090,083 | 23,863,094 |
| Water | 3,770,571 | 6,224,657 | 208,994 | 6,811,516 |
| Wastewater | 3,312,073 | 4,067,810 | 5,016,028 | 4,988,554 |
| Total Net Income | \$96,676,272 | \$95,166,228 | \$80,160,700 | \$82,990,239 |
| Net Income | | | | |
| Cable TV *** | Not reported | 9,420 | 7,822 | 8,130 |
| Electric | 214,522 | 218,621 | 225,821 | 223,425 |
| Gas | 94,000 | 98,220 | 99,285 | 103,728 |
| Refuse | 49,904 | 52,116 | 50,359 | 51,160 |
| Steam Heat | Not Reported | Not Reported | 124 | 135 |
| Telephone * | 140,293 | 222,221 | 118,660 | 592,815 |
| Water | 49,584 | 58,212 | 60,586 | 60,292 |
| Wastewater | 48,782 | 57,364 | 62,949 | 59,219 |
| Total Net Income | 597,085 | 716,174 | 625,606 | 1,098,904 |

* 1998 amounts include Local Exchange Carriers only. Excludes wholesale customers of intrastate interexchange carriers in order to prevent double-counting and telephone utilities that filed with the Commission as confidential.

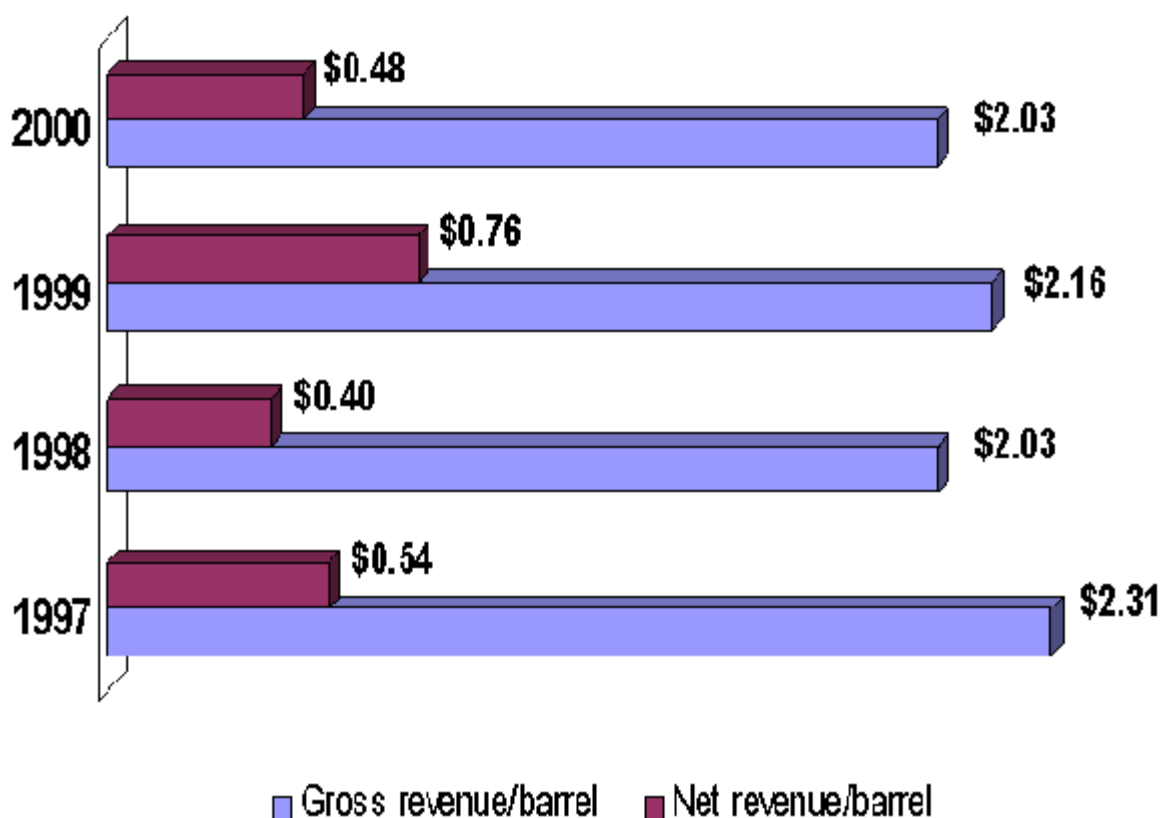
** 1998 totals incorrectly reported in 1999 annual report.

*** Cable television utilities are not regulated by the Commission as to rates and services with the exception of GCI Cable/Juneau, Inc., which is rate regulated for basic tier channels.

Oil Pipeline Carrier Financial Data

| Carrier property | 1997 | 1998 | 1999 | 2000 |
|---------------------------------------|------------------|----------------|----------------|----------------|
| Gross | \$10,870,626,467 | 11,143,942,613 | 11,167,509,117 | 11,422,190,371 |
| Net | \$4,520,270,591 | 4,409,150,310 | 4,202,504,850 | 4,169,113,782 |
| Revenue | | | | |
| Gross | \$1,476,996,502 | 1,395,802,949 | 1,440,629,200 | 1,307,978,918 |
| Net | \$347,415,918 | 274,463,173 | 504,581,438 | 306,261,965 |
| Throughput (barrels) | 638,076,89 | 686,390,088 | 668,104,686 | 642,774,155 |
| Gross revenue (per barrel) | \$2.31 | 2.03 | 2.16 | 2.03 |
| Net revenue (per barrel) | \$0.54 | 0.40 | 0.76 | 0.48 |

Figure I
Total Revenue Per Barrel of Oil



Consumer Protection

Utility customers with complaints have the right to seek relief from the Regulatory Commission of Alaska.

While the Commission urges the public to attempt to resolve problems directly with their utility first, customers who cannot resolve the matter may file an informal complaint with the Consumer Protection staff of the RCA either by letter, e-mail, phone or in person.

RCA staff will then contact the utility to determine its position. Staff will review the complaint, the utility's tariff, Commission orders and applicable statutes and regulations to determine the validity of the complaint. Thereafter, an appropriate course of action will be established. Staff can, for example, require the utility or pipeline carrier to conform to the standards spelled out in the applicable tariff. If the consumer is not satisfied with staff's decision, a formal complaint may be filed directly with the Commission through the appeal process.

Investigating and resolving complaints has become a vital element in the Commission's public protection role. Following are some examples of complaints handled by the staff in FY01.

Water

On September 26, 2000, an Anchorage developer wrote a letter of complaint to the RCA regarding a local water utility's refusal to install water meters. The developer requested that the utility install one meter on each building within a development of duplex style condominiums. The developer had reviewed the utility's tariff and determined that it allowed the utility to install water meters on two or three dwelling units, upon request. According to the developer, the utility initially agreed to install one meter on each duplex but later stated an objection and rescinded its agreement. The utility did not dispute that the tariff allowed it to install meters on two or three dwelling units, however, it was the utility's position that the tariff rule was not intended for condominium developments. It was also the utility's position that it would be more costly for the utility and the condominium association, and it would not provide any benefit to the condominium owners who shared one meter. The utility insisted that it would only install a master meter on the building.

Staff reviewed the utility's tariff rule and determined that it did not make a distinction between duplexes and duplex style condominiums. However, Staff knew that when more than one tariff rate or rule could be applied, the rule that was most advantageous to the customer must be used. Additionally, the rules allow the utility to, at any time going forward, request RCA approval to revise any rate or rule. Staff did not agree with the consumer's reasoning, however, Staff was obligated to interpret the rule as it was written. Staff rendered its decision on October 20, 2000, which favored the customer's position. However, the utility maintained its position and would not install the meters the developer requested. The developer filed a formal complaint on November 22, 2000 and on December 14, 2000, the utility agreed to install a meter on each duplex. The complaint was withdrawn.

Electric

On November 3, 2000, a Fort Yukon customer filed a billing complaint against the local electric utility. The customer complained that she had requested service be transferred from one location to another, however she was billed for overlapping service at both locations. When she questioned the billing invoice with the utility, it refused to explain the billing period, how the bill was calculated, and it did not issue a credit. Furthermore, the utility told the customer to post a deposit. In addition to the billing issue, the customer did not understand why a deposit was being requested when she was already a customer. The customer thought that the utility had retaliated by requiring a deposit, because she had complained about the bill.

Staff contacted the utility to request billing history for both locations, including the dates of connection and disconnection, the dates the meters were read, and the tariff rule that governed deposits. The utility gave Staff billing information, including the meter readings, and payment information on the two accounts. The information the utility provided revealed that the utility had under-billed one account for eight days of service and over-billed the second account for eight days of service. Since the daily usage at both locations varied slightly, but to the customer's benefit, Staff determined that no adjustments were needed. Staff determined that the utility could legally require a deposit for newly established accounts. The utility did not pursue the deposit issue because the landlord posted the deposit for service at the new location. The customer's complaint was resolved to the customer's satisfaction and the file was closed on February 1, 2001.

During Staff's review of the customer's billing and deposit complaint, Staff discovered that the utility's billing format was confusing and that it did not comply with the electric regulations. Staff recommended specific changes that were necessary to bring the billing format into compliance with the regulations. These changes would reduce billing format complaints, eliminate customer confusion, and ultimately save time dealing with those issues both for the utility and Commission Staff. Staff recommended that the utility make the changes within 90 days and Staff agreed to review a draft of the billing format with the recommended changes. On April 25, 2001, Staff reviewed the utility's first draft of changes. The utility submitted its final revision on June 14, 2001.

Telephone

On April 30, 2001, the Consumer Protection Section received a verbal complaint from a Fairbanks customer who was disabled and on "Lifeline", a Universal Service program that provides discounted local telephone service for disabled and low-income consumers. The customer complained that she received a bill from the local telephone utility for service in 1997. She denied that she owed the debt because she had never resided at the location listed on the bill. However, she acknowledged that she had once been assigned the telephone number listed on the bill and she recognized some of the toll calls on the bills.

The telephone utility insisted that she used service at the billing address and threatened to disconnect her local telephone service if she did not pay the old debt of \$335.82.

After investigating the complaint Staff determined that the customer had never resided at the location and the service had not been provided by the local telephone utility. The old debt had been transferred to the current utility from the city owned utility as the result of a sale of the utility. Staff determined that the customer made the calls but the Universal Service rules did not allow disconnection of Lifeline service for non-payment of a debt that was incurred before the customer enrolled in the Lifeline program.

Eventually, the utility acknowledged that it had referenced the wrong billing address, which may have created customer confusion. It agreed that it would not disconnect service based on the old debt because of the Universal Service Rules. Instead, it would pursue collection through a collection agency. The utility also acknowledged that it could only disconnect the customer's current service, after adequate notification, if the account became delinquent. The matter was resolved to the customer's satisfaction and the file closed on May 31, 2001.

Informal Complaints

Utility customers and pipeline shippers with complaints about the way they are being treated have the right to seek relief from the Commission. If the Commission determines the complaint results from a violation of a tariff, it can force the utility or pipeline carrier to conform to the minimum standards spelled out in the tariff.

Investigating and resolving complaints has become a vital element in the Commission's public protection role. In FY01, the Commission received 682 new complaints and resolved 670 cases, both old and new.

Figure 2
Informal complaints by category

| | FY98 | FY99 | FY00 | FY01 |
|--|-------------|-------------|-------------|-------------|
| Billing practices | 300 | 309 | 240 | 239 |
| Rates and charges | 53 | 11 | 7 | 46 |
| Quality of service | 263 | 246 | 254 | 292 |
| Service availability and line extensions | 90 | 227 | 89 | 105 |
| Totals | 706 | 793 | 590 | 682 |
| <i>FY percent change</i> | +23% | +13% | -26% | +16% |

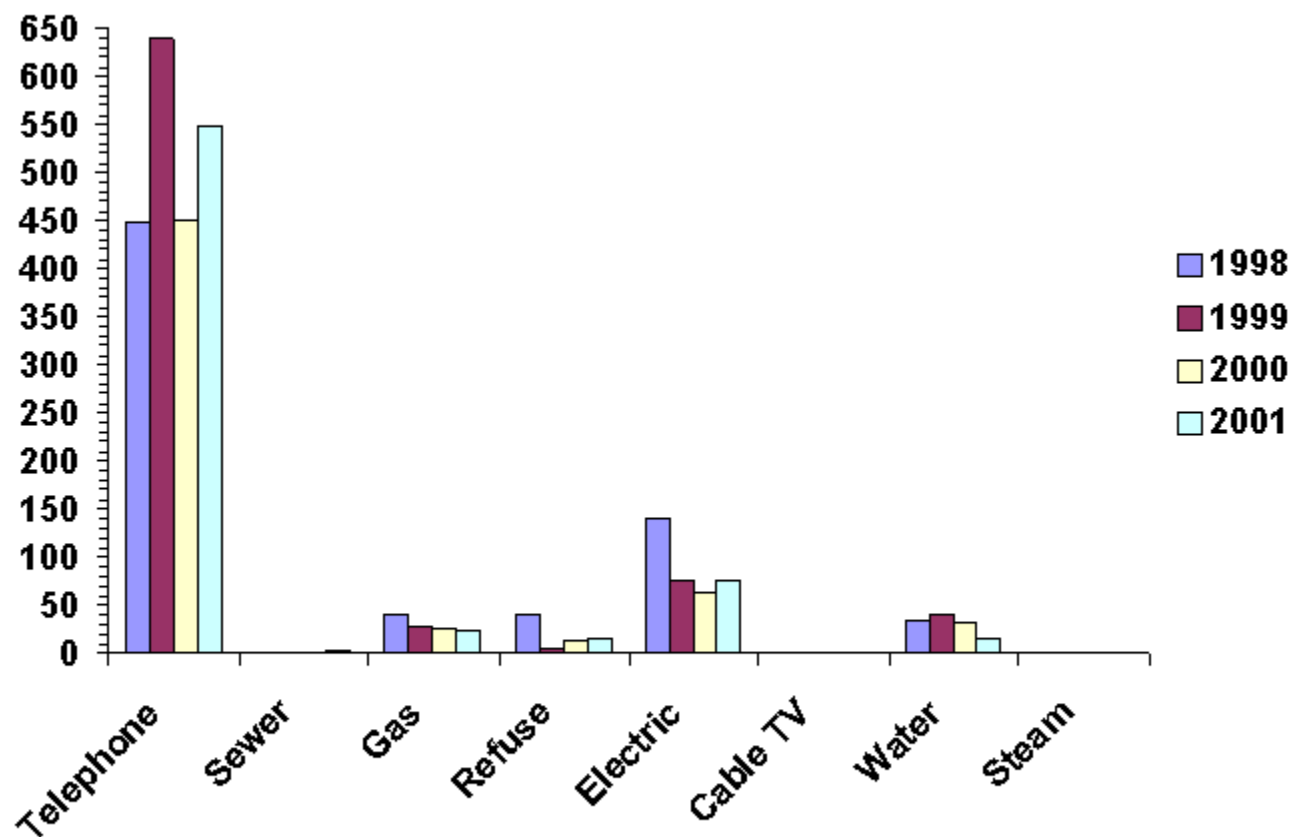
As Figure 3 on the following page demonstrates, electric and telephone utilities continue to generate the majority of informal complaints received by the Commission. This is generally to be expected, because these utilities account for the greatest number of customers, the largest plant investment and the most frequent regulatory activities.

During FY01, the Consumer Protection Section processed 548 telephone complaints. Of these 265 concerned quality of service, 167 concerned billing practices, 90 concerned service availability and line extensions, and 26 concerned rates and charges.



Consumer Protection and Information Officer Rose Weaver; Administrative Clerk Merry Johnson;
Consumer Protection and Information Officer Tammy Alexander (seated); and Chief Consumer
Protection and Information Officer Agnes Pitts

Figure 3
Informal complaints by entity type



Informal Complaints

The number of telephone contacts and personal conferences handled by the Consumer Protection and Public Information Section over the past four years is shown in Figure 4.

Figure 4
Consumer protection/public information contact summary

| Category | FY98 | FY99 | FY00 | FY01 |
|--|-------------|-------------|-------------|-------------|
| Telephone contact (includes incoming & outgoing calls) | 9,908 | 11,198 | 9,400 | 10,366 |
| Conferences | 397 | 298 | 383 | 340 |

Informal complaint activity by the Consumer Protection and Public Information Section over the past four years is summarized in Figure 5.

Figure 5
Informal complaint activity

| File Activity | FY98 | FY99 | FY00 | FY01 |
|---|-------------|-------------|-------------|-------------|
| Pending complaints (beginning of year) | 5 | 47 | 22 | 7 |
| New complaints received | 706 | 793 | 590 | 682 |
| Complaints resolved | 664 | 818 | 605 | 670 |
| Pending complaints (end of year) | 47 | 22 | 7 | 19 |

The vast majority of complaints are resolved informally. However, there are procedures for instituting a formal complaint if an informal complaint can not be resolved. If a formal complaint is accepted by the Commission for adjudication, it is assigned a docket number and an investigation is instituted into the issues raised in the complaint. In FY01, three informal complaints appealed staff's decision and were docketed for adjudication.

A Certificate of Public Convenience and Necessity must be obtained by every utility (with limited exceptions) and pipeline carrier proposing to provide service to the public for compensation. Additionally, the Commission must approve all amendments to, or transfers of, certificates, as well as acquisitions of controlling interest in certificate holders.

The criteria for issuing certificates are prescribed by law. The service must be required for the public convenience and necessity, and the applicant must be fit, willing and able to provide the service. During FY01 the Commission processed 73 applications for certificates, depicted by entity and category in Figures 6 and 7.

Figure 6
FY01 Certification dockets by entity type

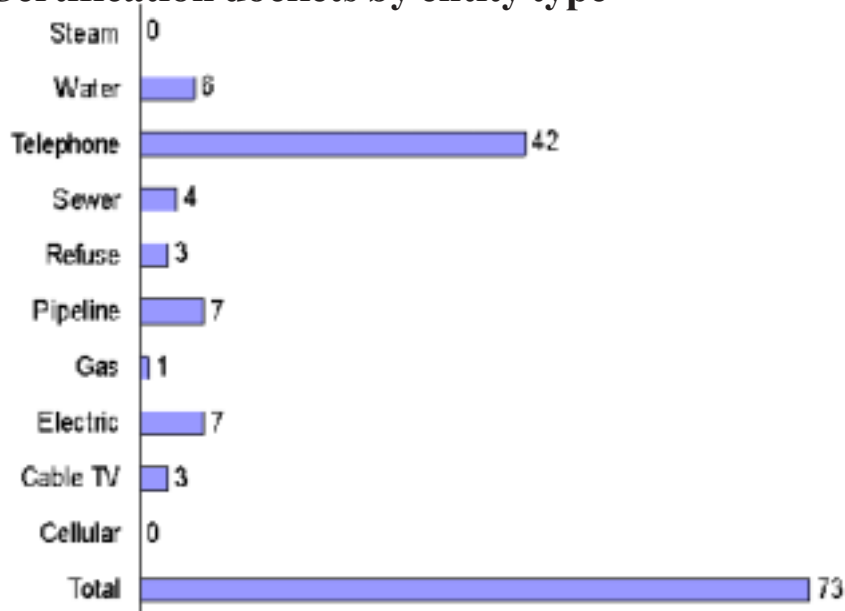


Figure 7
FY01 Certification dockets by category



Certification Proceedings

Most small electric utilities in the Power Cost Equalization Program (PCE) applied for certificates prior to FY89. Several of these applications are still pending approval because of incomplete financial information or system safety considerations.

Figure 8
FY98-FY01 Certification proceedings

| Entity Type | FY98 | FY99 | FY00 | FY01 |
|--------------------|-------------|-------------|-------------|-------------|
| Cable TV | 0 | 0 | 2 | 3 |
| Electric | 4 | 3 | 4 | 7 |
| Refuse (garbage) | 11 | 9 | 6 | 3 |
| Gas | 0 | 2 | 2 | 1 |
| Pipeline | 3 | 6 | 11 | 7 |
| Sewer (wastewater) | 3 | 1 | 2 | 4 |
| Telecommunications | 66 | 61 | 55 | 42 |
| Water | 11 | 5 | 2 | 6 |
| Steam | 1 | 0 | 0 | 0 |
| Totals | 99 | 87 | 84 | 73 |

| Category | FY98 | FY99 | FY00 | FY01 |
|-------------------------------|-------------|-------------|-------------|-------------|
| Temporary operating authority | 0 | 3 | 1 | 0 |
| New certificates | 63 | 50 | 39 | 33 |
| Amendments | 13 | 9 | 13 | 12 |
| Certificate transfers | 9 | 9 | 23 | 13 |
| Acquisitions | 10 | 7 | 3 | 2 |
| Exemption from certification | 1 | 0 | 0 | 2 |
| Discontinuation of service | 1 | 1 | 0 | 7 |
| Other | 2 | 8 | 5 | 4 |
| Totals | 99 | 87 | 84 | 73 |

The Commission issued 774 decisions or orders during the last fiscal year. They are categorized into two groups; substantive and procedural. Substantive orders reflect findings and conclusions based on evidence included in the formal record of the Commission. Procedural orders relate to the process and schedule used to handle a case. Figure 9 shows the orders issued by category for the last four years. Figure 10 shows the substantive and procedural orders issued by utility type during FY01.

Figure 9
Orders Issued, FY98-FY01

| Orders | FY98 | FY99 | FY00 | FY01 |
|---------------|-------------|-------------|-------------|-------------|
| Substantive | 412 | 509 | 566 | 741 |
| Procedural | 27 | 144 | 34 | 33 |
| Totals | 462 | 653 | 600 | 774 |

Figure 10
Total orders by entity type, substantive and procedural, FY01

Total number of orders issued = 774

| Utility Type | Substantive | Procedural |
|----------------------|--------------------|-------------------|
| Telephone | 368 | 7 |
| Gas | 23 | 0 |
| Electric | 139 | 16 |
| Refuse (garbage) | 35 | 1 |
| Sewer (wastewater) | 3 | 1 |
| Water | 11 | 0 |
| Pipeline | 99 | 6 |
| Cable TV | 6 | 0 |
| Cellular | 0 | 0 |
| Generic ¹ | 57 | 2 |
| Totals | 741 | 33 |

¹Generic count consists of Regulatory Dockets and Dockets which involved more than one type of entity.

Tariff Revisions

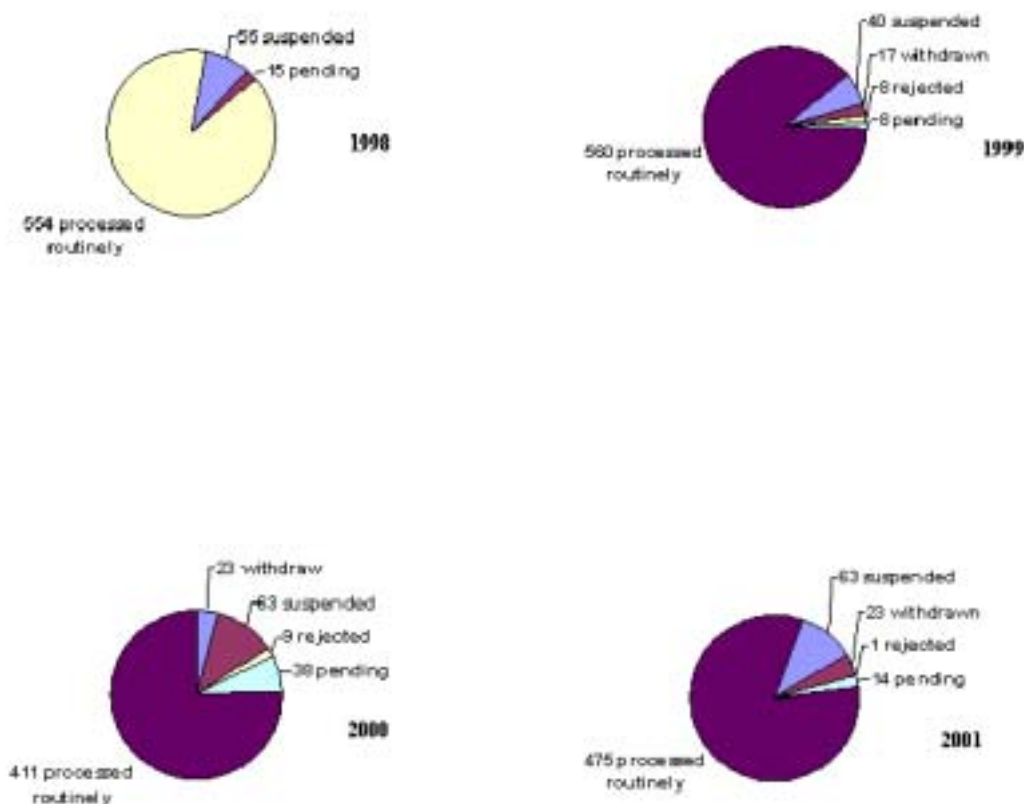
Tariffs are the written terms, conditions, rules and rates governing a utility's conduct in providing public service. They are similar to the bylaws of a corporation. In approving a Certificate of Public Convenience and Necessity, the Commission also reviews the tariff of the applicant. All regulated utilities and pipeline carriers are required to maintain a tariff and to operate under the terms of the tariff.

Regulated utilities and pipeline carriers must notify the Commission of any proposed changes to their tariffs. In most cases, the Commission must approve the tariff revisions before the revisions can take effect. For certain kinds of utilities, however, the Commission allows proposed tariff revisions to take effect automatically at the end of a 30-day period. The most common occurrence of tariff revisions taking effect automatically is with respect to interexchange telecommunications utilities. The Commission considers most tariff filings at "tariff action meetings" which are held in public twice monthly, generally on the first and third Thursday of each month.

Review, analysis and disposition of tariff filings are substantial elements of the Commission's workload. During FY01 there were 576 tariff filings submitted to the Commission. Of these, 475 were processed routinely (generally within 45 days of receipt). Of the remaining filings, 63 were suspended for further investigation, 1 was rejected, 23 were withdrawn, and 14 were pending.

A graphic indicator of the disposition of tariff revisions filed in fiscal year 2001 is shown in Figure 11.

Figure 11
Tariffs filed -- Tariffs suspended



In FY01 there were 30 proposed general rate changes, 5 general rate restructurings and 6 simplified rate filings. Seventeen of the general rate changes were from pipeline carriers and 13 were from utilities. Of the 30 general rate changes, 17 were suspended, 12 were approved or went into effect automatically, and 1 was pending.

Figure 12 presents a statistical breakdown of requests for utility and pipeline carrier tariff changes by category. Each request is counted only once regardless of the number of proposed tariff changes it includes.

Figure 12
Utility and pipeline tariff revisions

| Category | FY98 | FY99 | FY00 | FY01 |
|---|-------------|-------------|-----------------|------------------|
| General rate changes ¹ | 19 | 47 | 49 | 30 |
| General rate restructurings | 2 | 0 | 2 | 5 |
| Simplified rate filings | 3 | 2 | 0 | 6 |
| New service/equipment offerings | 183 | 168 | 143 | 100 |
| Nonrecurring rates | 20 | 8 | 5 | 7 |
| Universal access surcharge | 0 | 30 | 4 | 1 |
| Regulatory cost charge | 101 | 75 | 107 | 110 |
| Contracts | 12 | 46 | 16 | 24 |
| Fuel, gas, and purchased power surcharges; power cost equalization filings; nonfirm power purchase rates | 112 | 133 | 85 ² | 124 ³ |
| Rule changes | 40 | 76 | 55 | 59 |
| Miscellaneous | 132 | 48 | 78 | 110 |
| Totals | 624 | 633 | 544 | 576 |
| FY percent change | +30% | +1.44% | -14% | +5.9% |

¹ In previous annual reports, some filings now shown in this category were classified as "miscellaneous". The "General Rate Changes" category does not include simplified rate filings.

² No PCE base rate changes.

³ One PCE funding level change.

Tariff Revisions

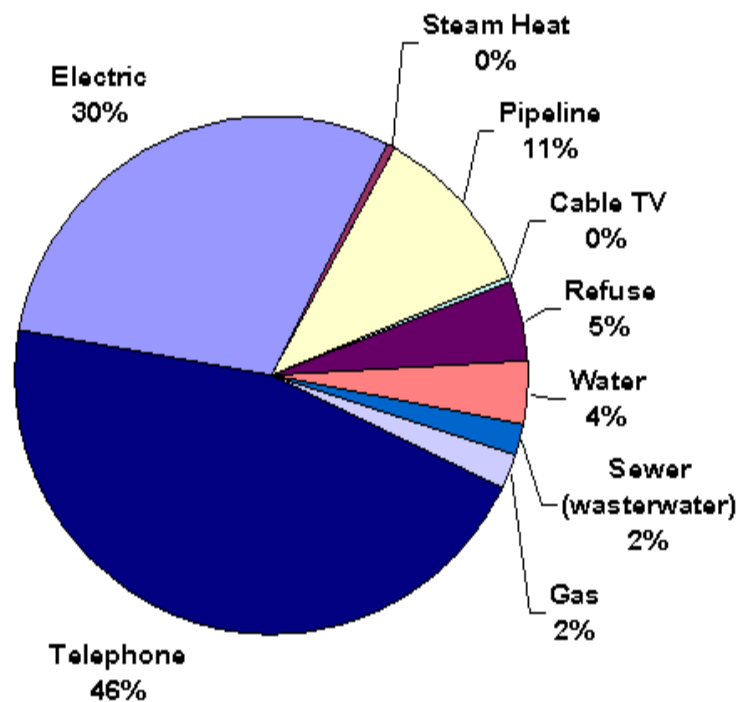
Figure 13 shows a summary of tariff filings used to generate the chart in Figure 14.

Figure 13
FY01 -- Tariff filings

| Type | Number of filings |
|------------------------|-------------------|
| Cable TV | 1 |
| Electric | 172 |
| Gas | 11 |
| Pipeline | 62 |
| Refuse | 30 |
| Steam | 3 |
| Sewer (wastewater) | 11 |
| Telephone ¹ | 265 |
| Water | 21 |
| Total | 576 |

Figure 14 is a summary of the tariff filings received in FY01 classified according to utility type and pipeline carrier.

Figure 14
FY01-Tariff filings by type



¹ This number represents 133 filings made by Local Exchange Carriers and 132 filings made by Interexchange Telecommunications Carriers

In addition to the certifications and tariff filings, the Commission institutes formal proceedings to consider a number of matters including

- rate changes,
- rule changes,
- special contracts,
- complaints against utilities and pipeline carriers,
- investigations of service quality or management practices, and
- regulations.

Frequently, requests for general rate changes also include or necessitate a restructuring of rates.

Rate-related filings continue to be the dominant component of the Commission's formal proceedings, excluding certifications, as shown in Figures 15 and 16. This statistic is significant because these proceedings tend to have a long-term impact on the Commission's workload. Considerable time and resources are required for audit, investigation, prefiled testimony preparation, public hearings, determination and issuance of a decision, and processing any requests for reconsideration.

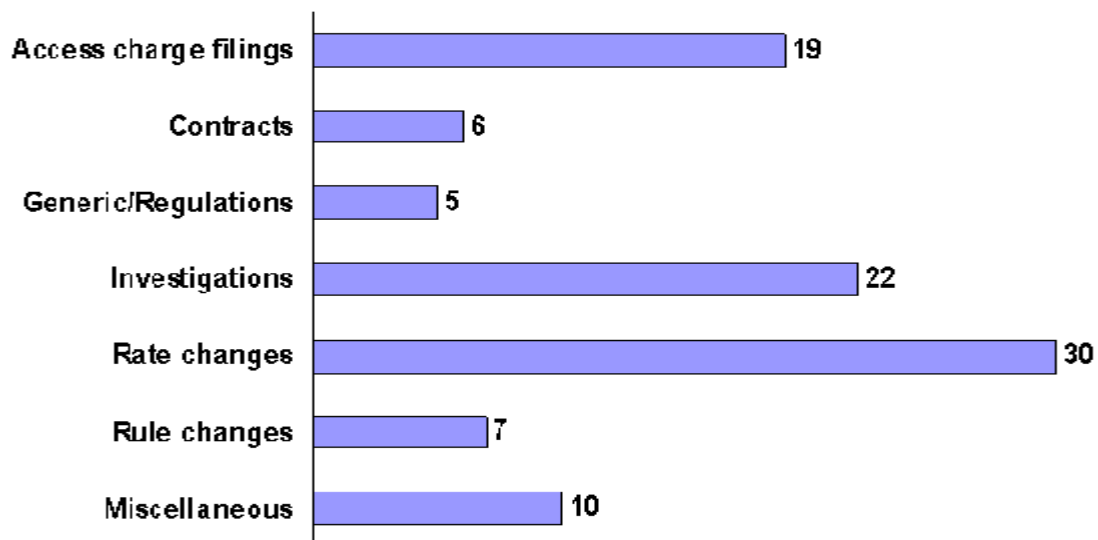
Figure 15
Formal proceedings (excluding certification)
FY98-FY01

| Category | FY98 | FY99 | FY00 | FY01 |
|--------------------------------------|-------------|-------------|-------------|-------------|
| Access charge filings | 22 | 21 | 21 | 19 |
| Contracts | 6 | 2 | 1 | 6 |
| Generic and regulations proceedings | 12 | 5 | 10 | 5 |
| Investigations: | | | | |
| Complaints | 12 | 0 | 7 | 12 |
| Management practices | 3 | 0 | 0 | 3 |
| Interconnection | 5 | 2 | 1 | 4 |
| Eligible carrier designation | 32 | 0 | 0 | 1 |
| Other | 5 | 3 | 7 | 2 |
| Rate changes: | | | | |
| General rate changes | 4 | 6 | 18 | 1 |
| Rate restructurings | 3 | 0 | 5 | 9 |
| Service/equipment offerings | 36 | 12 | 13 | 18 |
| Rates - other | 6 | 6 | 1 | 2 |
| Rule changes | 2 | 1 | 0 | 7 |
| Miscellaneous: | | | | |
| Equal access ballots | 0 | 5 | 3 | 0 |
| Protected status/confidential status | 0 | 8 | 16 | 3 |
| Other | 19 | 0 | 18 | 7 |
| Total | 167 | 71 | 121 | 99 |

Formal Proceedings

Figure 16
Composition of FY01 formal proceedings
(excluding certification proceedings)

Total formal proceedings (excluding certification proceedings): 99



Network Technician, Vince Joseph



Analyst Programmer, Christin Krieger

All formal proceedings before the Commission are identified as "dockets." Dockets are numbered functionally to denote the type of proceeding, the year of its initiation and numerical sequence in that year. "R" designates a regulatory docket, "P" is a pipeline case, and "U" a utility proceeding. For example, P-94-3 is the third pipeline docket opened by the Commission in calendar year 1994. The materials, legal pleadings and decisions relevant to each case are identified by this number and filed in the docket. After a case is decided and any necessary costs are allocated, the docket is closed.

Figure 17 shows the change in the number of cases pending at the end of FY01. The Commission opened 172 new dockets during FY01, a 16% decrease from FY 00. This led to a 21.28% decrease in dockets pending at the end of FY01.

Figure 17
Change in Caseload FY98-FY01

| Caseload | FY98 | FY99 | FY00 | FY01 |
|---|---------------|-----------------------------------|---------------|----------------|
| Pending cases beginning of year | 375 | 559 | 532 | 531 |
| New dockets opened | 266 | 171 | 205 | 172 |
| Dockets closed | 82 | 198 | 206 | 285 |
| Pending cases end of year | 559 | 532 | 531 | 418 |
| <i>Percent change in pending caseload at end of FY</i> | +49.1% | +<i>-0.05%</i>¹ | -0.01% | -21.28% |



Administrative Clerks Carolyn Wright and Merry Johnson; Administrative Supervisor Joyce McGowan (all seated); Administrative Clerks Charlene Ihly, Brian Beard and Wanda Bentley

¹ FY99 Percent change in pending caseload at end of FY should have been listed as -0.05%

Summary of Filings

A substantial part of the mission of the RCA is to handle and process filings and complaints. Figure 18 summarizes the filings handled by the RCA by type of utility over the past year and illustrates the distribution of the Commission's workload.

The table does not include Commission obligations arising from government actions or from initiatives taken by the Commission. These activities are equally important to fulfill the RCA's regulatory responsibilities.

Figure 18
Summary of Filings by Type of Entity

| Entity | Tariff Filings | Formal Proceedings | Informal Complaints | Applications |
|---------------------------------|-----------------------|---------------------------|----------------------------|---------------------|
| Generic ¹ | 0 | 3 | 0 | 0 |
| Steam | 3 | 0 | 0 | 0 |
| Water | 21 | 6 | 13 | 6 |
| Pipeline | 62 | 6 | 0 | 7 |
| Cable TV | 1 | 0 | 3 | 3 |
| Electric | 172 | 13 | 78 | 7 |
| Refuse (garbage) | 30 | 1 | 14 | 3 |
| Gas | 11 | 2 | 22 | 1 |
| Sewer (wastewater) | 11 | 2 | 4 | 4 |
| Telecommunications ² | 265 | 66 | 548 | 42 |
| Cellular | 0 | 0 | 0 | 0 |
| Total | 576 | 99 | 682 | 73 |

¹This act involves more than one type of utility.

²This number represents 133 filings made by Local Exchange Carriers and 132 filings made by Interexchange Telecommunications Carriers.

Appeals and Other Court Proceedings Pending During FY01

This report includes administrative appeals and other court proceedings during FY2001. Some of the appeals are from orders of the Alaska Public Utilities Commission (APUC). The legislature provided in Section 29, Chapter 25, 1999 SLA that litigation and other proceedings in connection with functions transferred to the Regulatory Commission of Alaska from the former APUC “may be completed notwithstanding a transfer or repeal” provided in the Act establishing the RCA.

Pipelines

Tesoro Alaska Company v. APUC Superior Court No. 3AN-00-3699 CI.

Dismissed in Alaska Superior Court — Tesoro appealed an order of the APUC that held certain pipeline filings confidential under AS 42.06.445(c). The appeal was dismissed on September 5, 2000.

Telecommunications

ACS of Fairbanks, Inc. et al. v. GCI Communication Corp. & RCA. Case No. 01-35344 and Case No. 01-35375.

Pending in the 9th Circuit Court of Appeals — These consolidated appeals arose from ACS’ original action in federal court seeking injunctive and declaratory relief from the RCA decisions approving the results of arbitration in GCI’s request for interconnection under the Telecom Act of 1996. The issue in Case No. 01-35344 is whether, by conducting interconnection proceedings under the Telecom Act, the RCA has waived the state’s 11th amendment immunity from suit in federal court. In the cross-appeal, Case No. 01-35375, ACS appealed the District court’s grant of a stay of the entire action pending the 9th Circuit’s decision on the 11th amendment issue.

ACS also filed for the same injunctive and declarative relief in the Alaska Superior Court.

ACS Long Distance, Inc. v. RCA. Superior Court No. 3AN-00-3757 CI and 3AN-00-3758 CI.

Dismissed in the Alaska Superior Court — ACS appealed to the superior court from the RCA’s order imposing conditions on the infinite minutes service proposed by ACS, but later stipulated to dismiss the appeal.

Telephone Utilities of Alaska, Inc. et al. v. RCA. Superior Court No. 3AN-99-3494 CI and 3AN-99-3499 CI.

Pending in Alaska Superior Court — The local exchange companies now known as the ACS companies appealed from the RCA order terminating the rural exemption under the Telecom Act of 1996. After the Eighth Circuit Court of Appeals issued its Iowa Utilities Board II decision, the ACS companies moved for a stay of the RCA order. The superior court denied the motion for a stay, and the Alaska Supreme Court rejected a petition for review. The superior court also denied ACS’ motion to vacate the RCA decision. Briefing is complete and the case is waiting for the court’s decision on the main issue.

Appeals and Other Court Proceedings Pending During FY01

**GTE Communications Corporation v. RCA.
Superior Court No. 3AN-00-3733 CI.**

Pending in Alaska Superior Court — GTE appealed from the RCA's order denying GTE's petitions to grant confidential status to its financial statements filed in compliance with AS 42.05.451(b). Briefing was underway at the end of FY 2001.

**Alaska Exchange Carriers Association v. RCA.
Superior Court No. 3AN-00-3714 CI.**

Pending in Alaska Superior Court — AECA filed a proposed tariff revision that would change the procedure for modifying the first point of switching. After written comments from parties supporting or opposing the proposed tariff revision, the RCA rejected it without holding an evidentiary hearing. AECA and ACS appealed the order, contending that the RCA could not deny the tariff revision without holding an evidentiary hearing. Briefing was underway at the end of FY 2001.

Electric

**Tlingit-Haida Regional Electrical Authority v. APUC.
Supreme Court No. S-8833, S-8834 and S-8843.
(decided January 12, 2001)**

Decided by the Alaska Supreme Court — The court affirmed the APUC decision to decertify Tlingit-Haida Regional Electrical Authority (T-HREA) in Klawock to eliminate the overlap of its service area. The court also held that modification of a certificate is a taking, but that compensation is due only for stranded plant, not for any expectation of future profits from the certificate. The court also rejected arguments that federal law preempted the APUC order and that the Rural Utility Service was an indispensable party to the action.

**Chugach Electric Association, Inc. v. RCA.
Supreme Court No. S-09692.**

Pending in the Alaska Supreme Court — In 1997, Chugach attempted to arrange power sales contracts with customers in the exclusive service territory of Municipal Light and Power Department (ML&P). ML&P filed a complaint with the APUC. After briefing, the APUC issued an order prohibiting Chugach Electric Association, Inc. (Chugach) from selling power to customers in ML&P's service territory without obtaining a certificate for that service. Chugach appealed to the superior court, which affirmed the APUC order.

In the Supreme Court, briefing has been completed, and the case awaits oral argument.

**Matanuska Electric Association, Inc. v. Chugach Electric Association, Inc.
Supreme Court No. S-09839.**

Pending in the Alaska Supreme Court — In 1997, Matanuska Electric Association, Inc. (MEA) complained that the cost of power adjustment (COPA) for wholesale power it purchased from Chugach was unjust and unreasonable because Chugach used an excessive line loss factor in the computation. The APUC issued Order U-97-36(13), which required Chugach to recalculate the COPA balancing account for 1995 through 1997 and refund the excessive charges to its

MEA appealed to the Alaska Supreme Court. At the end of FY 2001, MEA and Chugach had completed their briefs. The RCA then requested the court's permission to file an amicus curiae brief.

Appeals and Other Court Proceedings Pending During FY01

**Matanuska Electric Association, Inc. v. Chugach Electric Association, Inc.
Supreme Court No. S-10080.**

Pending in the Alaska Supreme Court — Chugach initiated a lawsuit against MEA to collect a tariffed charge for Marathon tax liability approved by the RCA. MEA moved for summary judgment, asserting that the Commission did not have jurisdiction over the issue, and that the tariff was unenforceable because of provisions in the power sales agreement between Chugach and MEA. The RCA filed a brief arguing that it had jurisdiction and that the tariff was valid. On December 13, 2000, the Superior Court issued a decision finding that the RCA had jurisdiction and upholding the RCA's decision to approve the tariffs containing the tax liability. Briefing in the Supreme Court was underway at the end of FY 2001.

**Matanuska Electric Association, Inc. v. RCA.
Case No. 3PA-00-453 CI.**

Dismissed in the Alaska Superior Court — In May 2000, MEA filed both an appeal and a petition for review from an order of the RCA that granted a petition for intervention by three MEA ratepayers in Docket U-99-130. On August 28, 2000, the Superior Court issued an order dismissing the appeal and denying the petition for review.

**Chugach Electric Association, Inc. v. RCA.
Superior Court Case No. 3AN-01-8288 CI.**

Pending in the Alaska Superior Court — After ML&P filed an application to provide electric service to a non-military customer located on Fort Richardson Army Post, the RCA ruled that ML&P should list its on-base customers in its tariff rather than in the service area description in its certificate. ML&P petitioned for reconsideration and Chugach sought to intervene. After extensive briefing, the RCA determined that it would continue to follow the past practice of listing ML&P's on-base customers in the service area description of its certificate. Chugach appealed this decision to the Superior Court. At the end of FY 2001, the record was being prepared.



Assistant Attorney General Virginia Rusch

Legal Authority

Statutes

Created in 1959, the Alaska Public Utilities Commission has, since 1970, been a full-time administrative agency under the Alaska Public Utilities Act (AS 42.05) charged with the duty of regulating public utilities within the state. The jurisdiction of the Commission extends to electric, gas, refuse (garbage), sewer (wastewater), steam, telecommunications (cable television, interexchange, and local exchange service), and water public utilities as defined by the Act. In 1981 the Legislature amended the Alaska Pipeline Commission Act (AS 42.06) to merge the Alaska Pipeline Commission into the Alaska Public Utilities Commission, and the Commission's jurisdiction was extended to pipeline carriers and pipelines. In 1999, the legislature reorganized and renamed the Commission the Regulatory Commission of Alaska (RCA).

The Commission is comprised of five commissioners appointed by the Governor and confirmed by the Legislature for six-year terms of office. The Commission is authorized to employ additional personnel to assist in the performance of its duties.

The Commission is responsible for making or requiring just, fair, and reasonable rates, classifications, regulations, practices, services, and facilities for public utilities and pipeline carriers. The Commission has the authority to investigate, hold hearings, prescribe systems of accounts, require the filing of reports, adopt regulations, and take other lawful actions necessary to accomplish the stated purposes of AS 42.05 and AS 42.06. The Commission also determines the eligibility of electric utilities for power cost equalization and the kilowatt-hour subsidy amount under the provisions of AS 42.45.100 - 42.45.190. The Commission is also authorized under AS 31.15.010 - 31.15.050 to determine if there has been unjust and unreasonable discrimination in the purchase of oil offered for purchase within Alaska.

Under AS 42.05.221, a public utility¹ providing service to customers for compensation is required to obtain a certificate of public convenience and necessity² from the Commission. A certificate describes the nature and extent of authority granted to a public utility, including a description of the authorized service area and the scope of operations of the utility. Under AS 42.05.241, a certificate may not be issued unless the Commission finds that the service is required for the convenience and necessity of the public and that the applicant is fit, willing and able to provide the utility service requested. Similarly, pipeline carriers subject to the Commission's jurisdiction must secure a certificate of public convenience and necessity.

¹ The terms "public" and "public utility" are defined in AS 42.05.990(3) and (4), respectively. Generally, a public utility is one that provides utility service for compensation to ten or more customers or that sells wholesale service to a utility that serves ten or more customers.

² Electric and telephone utilities grossing less than \$50,000 are not required to be certificated unless their customers petition the Commission for regulation under AS 42.05.712(h). AS 42.05.711 (e).

Legal Authority

A number of certificated utilities are statutorily exempt from economic regulation³ by the Commission, including:

- (1) public utilities owned and operated by a political subdivision of the state, none of whose utilities is in competition with any other utility, unless the political subdivision elects to be regulated by the Commission (AS 42.05.711(b))⁴;
- (2) refuse utilities with annual gross revenues of \$300,000 or less, unless the subscribers of the utility petition the Commission for regulation under AS 42.05.712(h) or customers paying 25 percent of a utility's gross revenues have petitioned the Commission for regulation (AS 42.05.711(i));
- (3) cable television utilities, unless the customers petition the Commission under AS 42.05.712(h) for regulation (AS 42.05.711(k)); and
- (4) electric and telephone utilities with gross revenues of less than \$50,000 are exempt from both certification requirements and economic regulation, unless 25 percent of their customers petition for regulation under AS 42.05.712(h).

AS 42.05.711 also specifies other utilities that may, under terms specified in AS 42.05.712, elect to become economically deregulated by the Commission.

The Commission is authorized under AS 42.05.711(d) to exempt a utility from all or a portion of AS 42.05 if such an exemption is in the public interest. Under this provision, the Commission has exempted a number of small utilities from ratemaking regulation. Competition in refuse collection services has also been introduced in a number of areas.



Hearing Examiner Paul Olson



Paralegals Ann Wilde and
Mary Margaret Bingham; Admin-
istrative Clerk
Denise Anderson (seated)

³“Economic regulation” (defined in 3 AAC 48.820(43)) means that the Commission’s jurisdiction extends to matters concerning rates and charges for public utility or pipeline carrier services, quality of service provided by a utility or pipeline carrier to its customers or shippers, management practices of a utility or pipeline carrier, and customer or shipper complaints concerning the services furnished by a utility or pipeline carrier.

⁴ The utilities of the Municipality of Anchorage are the only utilities operated by a political subdivision that are currently subject to economic regulation by the Commission.

Legal Authority

Regulations

As authorized under AS 42.05.151 and other statutory provisions, the Commission has adopted regulations to carry out its statutory duties. The Commission's regulations are set out in the Alaska Administrative Code at Title 3, Part 5, Chapter 47 (Regulatory Cost Charge); Chapter 48 (Practice and Procedure); Chapter 49 (Deregulation); Chapter 50 (Energy Conservation); Chapter 51 (Telecommunications Relay Service); Chapter 52 (Operation of Public Utilities); and Chapter 53 (Telecommunications).



Administrative Clerk Lawrence Gaines; Chief Engineer Paul Morrison; and Utility Engineer Analyst James Keen (seated)

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